
Management Improvement at Freeway Park Garage

EXECUTIVE SUMMARY

In July 1994, a citizen notified us that employees at the Freeway Park Garage often left the Garage's entrance and exit gates open while collecting parking fees from incoming cars. Because leaving the Garage gates open would circumvent management's accountability system over cash receipts, we performed a preliminary risk assessment. We found that the Garage did not have a comprehensive management accountability system in place which could reasonably assure that Garage employees (1) were properly recording cash receipts and adequately safeguarding them from loss and misuse, and (2) were appropriately collecting cash from sales and depositing it into the City's account. During this audit, the Department of Administrative Services (DAS) and the Office of City Auditor have worked closely together to ensure that the Garage has a comprehensive and sufficient management accountability system in place by identifying management accountability processes that the Garage (1) needs to improve or (2) needs to develop and implement to provide reasonable assurance that City assets (e.g., cash receipts) receive adequate safeguards.

Major Findings

The Freeway Park Garage, a facility that the City of Seattle owns and operates, provides 670 parking spaces for public use and generated over \$688,000 in revenues in 1994. The 1994 operating expenditures for the Garage was over \$555,000. The Garage is a "pay as you enter" operation; \$4 for daily parking and \$80 for a monthly parking pass¹.

DAS has demonstrated a strong desire to improve its management accountability system over cash receipts at the Freeway Park Garage and has already implemented many of the recommendations developed during this audit. For instance:

- DAS revised its Freeway Park Garage Operating Procedures and Employee Handbook.
- The DAS property manager visits the Garage almost daily to review parking operations and to provide an independent review of revenue reports, monthly pass log books, refund slips, memos and notes from parking staff explaining any discrepancies that occur, and other documents.
- The Garage now keeps a daily log identifying the monthly parking passes sold and attaches it to the day's revenue report. The property manager reviews the daily log pass report to identify discrepancies on revenue reports, investigates discrepancies, and reconciles the daily log pass report against cash register "Z" tapes.
- The DAS property manager now performs unannounced cash counts of cash receipts and change funds at least monthly.

In addition to those actions already implemented by DAS, several additional actions are noted in the recommendations (see page 13) and in Addendum A which DAS can take to further strengthen its management accountability processes over cash receipts.

¹ Lower rates are available for carpool and night parking. Customers with a garage door opener pay an additional \$20 each month for a monthly parking pass.

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PURPOSE

In July 1994, a citizen notified us that employees at the Freeway Park Garage often left the Garage's entrance and exit gates open while collecting parking fees from incoming cars. Because leaving the Garage gates open would circumvent management's accountability system over cash receipts, we performed a preliminary risk assessment. We found that the Garage did not have a comprehensive management accountability system in place which could reasonably assure that Garage employees (1) were properly recording cash receipts and adequately safeguarding them from loss and misuse, and (2) were appropriately collecting cash from sales and depositing it into the City's account. During this audit, the Department of Administrative Services (DAS) and the Office of City Auditor have worked closely together to ensure that the Garage has a comprehensive and sufficient management accountability system in place by identifying management accountability processes that the Garage (1) needs to improve or (2) needs to develop and implement to provide reasonable assurance that City assets (e.g., cash receipts) receive adequate safeguards.

BACKGROUND

Management Accountability Systems

A "management accountability system" refers to the methods and procedures which an organization uses to ensure that it meets its goals and objectives; that uses its resources in accordance with laws, regulations, and policies; safeguards its resources against waste, loss, and misuse; and obtains, maintains, and fairly discloses reliable data in reports.

Background on the Freeway Park Garage

The Freeway Park Garage, a facility that the City of Seattle owns and operates, provides 670 parking spaces for public use and generated over \$688,000 in revenues in 1994. (Addendum B provides information on monthly and annual income which the Garage generated from January 1989 through August 1995.) The 1994 operating expenditures for the Garage was over \$555,000. The Garage is a "pay as you enter" operation; \$4 for daily parking and \$80 for a monthly parking pass². Daily parkers receive a validated ticket, which

² Lower rates are available for carpool and night parking. Customers with a garage door opener pay an additional \$20 each month for a monthly parking pass.

they use to exit the Garage. Monthly parkers use a coded key-card (\$10 refundable deposit) to enter and exit the Garage, along with a garage door opener (\$50 refundable deposit) for access after normal operating hours (5:45 a.m. to 9:00 p.m., weekdays).

A computerized system records each garage entry and exit, thus, providing a record of: (1) each daily ticket transaction, and (2) each key-card use by monthly parkers. It also provides a summary report of revenues generated at the Garage from daily and monthly parking and a record of all key-cards that monthly parkers use. Garage employees sell monthly parking passes at the two entrance gates and the main office. For each monthly pass sold, parking attendants record in a steno book the pass number, the date of sale, the purchaser's name, and the purchase price; staff manually write the consecutive pass numbers in the steno books ahead of time. Throughout the month, parking attendants manually transfer this information to a combined Monthly Pass Log Book report. The Garage also maintains on a yearly index card file a record of the payments the Garage receives from each monthly customer. In addition, parking attendants summarize daily sales transactions in a daily revenue report.

DAS may relinquish control over the Freeway Park Garage in the near future. The City may contribute to the expansion of the Washington State Convention Center in an eastward direction by transferring the operation and revenues of the Freeway Park Garage to the State until the bonds for expansion are retired. If the expansion does not proceed or occur in an eastward direction and, DAS thus does not relinquish control over the Garage to the State, we recommend that DAS evaluate other options for the Garage, such as contracting-out Garage operations or working with Seattle Center to combine parking operations. By consolidating parking operations with Seattle Center, a larger staff base would allow staff rotation, which could improve segregation of duties.

SCOPE AND METHODOLOGY

The scope of our work was limited to reviewing the management accountability system over cash receipts at the Freeway Park Garage. In performing this audit, we interviewed management and staff of the Freeway Park Garage and DAS officials. We observed operations at the Garage and reviewed the Garage's accounting records and other records associated with cash receipts. We discussed our findings and conclusions with DAS officials who generally agreed with the information contained in this report. We performed our work between November 1994 and June 1995 in accordance with generally accepted government auditing standards.

RESULTS OF OUR REVIEW

Freeway Park Garage Needs a Comprehensive Management Accountability System Over Cash Receipts

We found that the Freeway Park Garage did not have a comprehensive management accountability system over its cash receipts and, due to serious weaknesses in the Garage's existing accountability processes, we were unable to determine whether Garage staff were collecting and remitting the proper amounts of revenues. The weaknesses we found included: (1) not reconciling cash receipts against cash register tape totals, computerized parking records, and sales records for monthly parking permits; (2) altering cash register tapes and other accounting documents to produce spurious consistency with cash receipts; (3) not separating duties between handling cash and maintaining records of cash transactions; (4) not properly controlling monthly passes; (5) not recording sales into the cash register immediately or, in some cases, at all; (6) not adequately controlling key-cards; (7) voiding large numbers of sales transactions without written explanation or supervisory controls, and (8) not periodically updating Freeway Park Garage policies and procedures. Because of the inadequacy of the Garage's record keeping (examples include unrecorded sales, sales recorded at lesser amounts, and falsified recording of non-existent cash refunds), we were unable to determine whether these weaknesses led to loss of City revenues.

The weaknesses we found pointed to insufficient management oversight over cash transactions at the Garage. The State Auditor described most of these weaknesses in a 1993

management letter, yet DAS did not ensure that the Garage took the necessary corrective action. Since we started our review in November 1994, DAS has resolved many of the problems we identified. In addition, to better understand how management accountability systems work and the role which management plays in protecting assets and preventing fraud, several DAS officials attended a one day workshop on management accountability systems which the City Auditor's Office offered in May 1995.

(Addendum A describes in detail the management control weaknesses we identified during this audit and the actions which DAS has taken to correct the weaknesses.)

Reconciling Cash Receipts

Although information was available that would have allowed Garage officials to determine whether the amounts of daily cash receipts were appropriate, Garage employees did not reconcile the amount of cash receipts against this information. For example:

- Cash register tapes provide a record of all sales -- both for daily parking and for monthly passes, yet Garage employees do not use the tapes to determine whether the actual cash receipts match the total sales recorded on the tapes. Instead, in an apparent effort to avoid cash overages or shortages (and the need to track and explain them), Garage employees altered the cash register tapes to match the actual cash receipts. For example, the cash register's summary "Z" tape³ for August 2, 1994, showed a miscellaneous \$10 sales transaction; the Garage's fee schedule makes it highly probable that this transaction involved a refundable key-card deposit. When the parking attendant's revenue report, which left out this transaction, showed a cash overage of \$9.90, the Garage supervisor made pen-and-ink changes to the cash register tape to reduce the balance by \$2 and added two additional \$4 daily parking ticket sales to the revenue report to increase the total sales by \$8.
- The Garage's computerized entry-and-exit system, with its record of key-cards use by monthly parkers, allows for independent computation of the number of daily parkers

³ An individual summary of each parking attendant's shift, including information ranging from the total number of cashier transactions to the ending cash drawer total. The "Z" tape, however, does not show the total number of voided transactions during the attendant's shift.

as a check against cash register tapes and can potentially act as a control to ensure that parking attendants do not receive daily parking fees without recording the transaction in the cash register. The computerized entry-and-exit system's record of key-cards use by monthly parkers also allows for an independent check to ensure that the parking attendants' steno books (as summarized in the Monthly Pass Log Book report) accurately reflect a sales record for all monthly passes sold. Reconciling cash receipts against computerized reports would ensure that parking attendants accurately record sales of monthly parking passes in their steno books and would permit reconciling of any discrepancies. However, we found no documentation to suggest that cash receipts are reconciled against computerized reports and parking attendant's books. Thus, this lack of reconciliation increases the risk that errors or discrepancies may occur and go undetected. During our review, we found evidence that nine customers had used their key-cards at least once between February 1-15, 1995, but no evidence in the monthly pass log book that these customers had paid for monthly parking passes (worth up to \$720). For the month of March 1995, we found three similar key-cards. We also found two customers in February who told us that they paid for monthly parking but whose names did not appear in the monthly pass log book as purchasing parking passes.

Altering Accounting Documents

During the course of our review, we found evidence that, in addition to altering cash register tapes as we noted above, Garage employees altered other accounting documents. For example:

- On February 8, 1994, the City received a \$74 check for a pro-rated monthly parking pass and a key-card. The Garage supervisor altered the accounting records to show receipt of \$54 for a monthly three-person carpool parking pass. We found no accounting for the remaining \$20, nor did we find evidence that it had been deposited in the City's account.
- On January 27, 1995, a cash register "Z" tape included a \$10 sales transaction -- an amount matching the fee for a key-card deposit. The day's revenue report, however, did not include a \$10 key-card deposit and, thus, initially reported a cash overage of \$12.90. The Garage supervisor later altered the revenue report to include an additional

\$12 in revenues (three additional \$4 daily parking tickets) and, by doing so, reduced the cash overage to \$0.90. He made similar changes on the cash register “Z” tape to remove the \$10 key-card deposit and to add the additional daily parking revenues.

- On March 3, 1995, the Garage supervisor found that \$20 was missing and, to cover the shortage, altered accounting records to reflect reimbursing two customers for their \$10 key-card deposits. In making the alterations, however, he used reimbursement forms from previous months -- one from January 3, 1994 and one from January 3, 1995.

Segregating Duties

During our review, we found that the Garage did not appropriately segregate key duties and responsibilities among employees to ensure that all cash received was accurately recorded and deposited into the City’s account. However, according to DAS officials, the Garage’s ability to appropriately segregate key duties and responsibilities was limited by the small number of staff. As a result of inadequately segregating key duties and responsibilities among staff, the Garage did not have the appropriate checks and balances in place to reduce the risk of loss and misuse of City funds.

All Garage staff both handled and accounted for cash. Parking attendants were responsible for both handling and accounting for cash. Parking attendants received parking fees; entered amounts received from sales into the cash register; manually recorded monthly parking fees received in steno books; prepared monthly pass log book reports based on information recorded in the steno books; gave refunds to customers immediately upon request, without supervisory review or approval; prepared refund slips; obtained cash register “Z” tapes which summarized transactions made during their shifts; closed their cash registers and counted their own cash receipts; prepared deposit slips for their daily receipts; and prepared revenue reports summarizing their daily transactions. The Garage supervisor handled cash; prepared and distributed monthly parking passes; prepared accounting documents (for example, revenue reports and deposit slips); reviewed attendant’s work; issued refund requests to customers; and reconciled monthly bank statements against source documents that he, himself had prepared. To compensate for the inadequate segregation of duties, in March 1995, a DAS property manager started

visiting the Garage almost daily to learn about garage operations and to provide an independent review of revenue reports, steno books, monthly pass log books, refund reports, memos explaining any discrepancies, and other documents.

Controlling Monthly Parking Passes

We found that Garage staff did not maintain a record of the monthly parking passes not sold during the month. This provided an opportunity for Garage staff to sell parking passes without recording the sale. Monthly passes were not marked to indicate type of pass (carpool or regular monthly pass), nor were they pre-numbered prior to arriving at the Garage. Rather, the Garage supervisor manually numbered the passes and marked their type prior to issuing them to parking attendants. The Garage supervisor kept monthly passes in the parking office file cabinets, which were accessible to all Garage staff, and did not require parking attendants to keep a record of the number of unsold passes. Also, we found no evidence to suggest that the Garage supervisor periodically reconciled passes on hand against parking attendant's books to document the passes sold.

Recording Sales

Parking attendants at the Garage did not record all sales immediately upon receiving the money. Instead, they accumulated a number of transactions and entered them into the cash register as one sale under the miscellaneous key. In addition, monthly parking fees received late in the day were often not entered into the cash register and prepared for deposit until the following afternoon. Allowing sales to accumulate in the cash register provides an opportunity for sales to go unrecorded and the possibility that cash from sales never reaches the City's account. Following are examples of some sales transactions we identified during our audit that Garage staff did not properly record.

- On March 3, 1994, parking attendants combined three separate sales transactions totaling \$400 and entered them into the cash register as one miscellaneous sale. Also, although parking attendants include a \$70 sale for a two-person carpool pass on the day's revenue report, they did not enter it into the cash register.
- On April 5 and 6, 1994, although including it on the day's revenue report, parking attendants did not enter an \$80 transaction for a monthly pass into the cash register.

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- The Garage received \$240 for three monthly parking passes at \$80 each on April 26, 1994, and a \$50 deposit for a garage door opener on April 27, 1994. Parking attendants did not enter these transactions into the cash register when they occurred. Instead, they entered them into the cash register and prepared the cash for deposit on the following afternoon.
 - On May 2, 1994, a cash register “Z” tape showed that the ending cash drawer total during one shift was \$698, yet the day’s revenue report showed that staff collected and deposited \$1,070 in total sales. Thus, Garage staff did not enter \$372 in sales into the cash register.
 - On July 28, 1994, a parking attendant recorded that the Garage received \$88 for a monthly parking pass and \$10 for a key-card deposit. The deposit slip for July 28, 1994, showed that the Garage received an \$88 check and, thus, the customer must have paid cash for the \$10 key-card deposit. The day’s revenue report and the cash register tape showed receipt of only \$80. We found no accounting for the remaining \$18 (\$8 in parking fees and the \$10 key-card deposit), nor did we find evidence that staff deposited this money in the City’s account.
 - On August 2, 1994, the Garage received nine (9) checks at \$80 each for monthly parking passes; the Garage staff entered ten (10) sales of \$80 monthly passes into the cash register yet recorded only eight (8) of these sales on the revenue report. Garage employees apparently used the ninth \$80 check to cover a cash shortfall. We found no written explanation as to why parking attendants entered ten sales of \$80 monthly parking passes into the register but reported only eight of these sales in the day’s revenue report.
 - On November 15, 1994, the Garage received \$90 -- the fee matching a monthly parking pass and a key-card deposit. Garage staff, however, did not enter these funds (\$90) into the cash register and prepare them for deposit until the following afternoon. Although the \$90 sales transaction was entered into the cash register properly, the Garage supervisor only accounted for \$86 on the revenue report; \$76 for a pro-rated monthly parking pass and a \$10 key-card deposit. We found no accounting for the remaining \$4.

Controlling Key-Cards

Although the Garage had a master file for controlling the inventory of key-cards and showing the status of each card, the Garage did not keep this file up to date. Because of its inaccuracy, the Garage staff did not really know the true status of each card -- whether it was in the hands of a customer or should still have been in the inventory. As a result, parking attendants could more easily (1) issue non-existent \$10 refunds to cover cash shortages, and (2) obtain \$10 deposits for issuing key-cards without recording the deposits. For example, we found no refund slip to document \$66 worth of refunds the Garage made on May 27, 1994. Also, a refund slip dated May 13, 1994 showed that the Garage refunded a customer \$40 for parking and \$10 for returning a key-card. However, although this refund transaction of \$50 took place on Friday, May 13, 1994, it was not included on a revenue report until the following Monday.

Controlling Void Transactions

Parking attendants could void transactions without supervisory review. This placed them in a position where they could first conduct a transaction properly, then pocket the funds and void the transaction. Although the cash register was capable of showing the total number of voided transactions on its summary "Z" tape, the Garage elected not to activate this capability. The only way to determine how many sales transactions the Garage staff voided was to check the cash register detail tape⁴ and count them individually. Neither the Freeway Park Garage supervisor nor the DAS property manager responsible for the Garage reviewed cash register's detail tapes to determine whether Garage staff were voiding transactions inappropriately. Periodically reviewing cash register detail tapes for voids is a basic management responsibility to identify both systemic problems and possible employee thefts.

When we reviewed the detail tapes during the course of this audit, we found that the Garage staff voided a considerable number of transactions. In addition to finding a considerable number of voids, we also found that at one of the Garage's two cash registers, it was not uncommon for parking attendants to enter transactions with no detail tape in the register. For example, at one of the cash registers, we found no detail tape documenting the following number of valid sales transactions: 768 sales in November 1994, 186 sales in December 1994, 662 sales in January 1995, and at least 620

⁴ The detail tape shows all entries made on the cash register, including all sales transactions that are voided.

sales in February 1995. As a result of entering sales in the cash register with no detail tape, we were unable to identify and determine the total number of voided transactions. Thus, it is likely that the number of voided transactions may be higher than what we identified during our review. In March 1995, the Garage's property manager instructed staff to keep blank register tape in the attendants' booths at all times and immediately replace the tape as needed. (Table 1 below shows the number of voided transactions we were able to identify for November 1, 1994 through March 10, 1995.)

Table 1: Number of Voided Transactions And Amount of Each Void (\$4, \$80, \$70, and \$65), November 1, 1994 - March 10, 1995

		\$4 Voids		\$80 Voids		\$70 Voids		\$65 Voids		Total Voids	
Month	# Days Open	Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount
Nov. 94	20	164	\$656	19	\$1520	6	\$420	3	\$195	192	\$2,791
Dec. 94	21	185	\$740	37	\$2960	16	\$1120	3	\$195	241	\$5,015
Jan. 95	23	223	\$892	45	\$3600	12	\$840	3	\$195	283	\$5,527
Feb. 95	21	165	\$660	34	\$2720	9	\$630	2	\$130	210	\$4,140
Mar. 1-10, 1995	8	65	\$260	10	\$800	4	\$280	2	\$130	81	\$1,470
TOTAL	93	802	\$3,208	145	\$11,600	47	\$3,290	13	\$845	1,007	\$18,943
Average Per Day										10.8	\$203.69

The Garage's property manager in DAS believes that more than two voids per day would be cause for concern. Our review of detail register tapes for November 1, 1994 through March 10, 1995 found that parking attendants made an average of 11 voids per day. (See Table 1, page 10.) On the afternoon of March 10, 1995, the DAS property manager and City auditors started visiting the Garage almost daily to review operations, cash register detail tapes, and accounting documents. Based on our review of detail register tapes, we found that the number of voids dropped significantly to an average of two per day between March 11, 1995 through May 31, 1995. (See Table 2 below.)

Table 2: Number of Voided Transactions And Amount of Each Void (\$4, \$80, \$70, and \$65), March 11, 1995 - May 31, 1995

Month	# Days Open	\$4 Voids		\$80 Voids		\$70 Voids		\$65 Voids		Total Voids	
		Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount
Mar. 11-31, 1995	17	34	\$136	7	\$560	0	\$0	0	\$0	41	\$696
April 95	22	49	\$196	6	\$480	1	\$70	0	\$0	56	\$746
May 95	22	40	\$160	4	\$320	0	\$0	0	\$0	44	\$480
TOTAL	61	123	\$492	17	\$1,360	1	\$70	0	\$0	141	\$1,922
Average Per Day										2.3	\$31.51

Updating Garage Policies

During our review we found that the Garage's policies and procedures manual was outdated and did not reflect current practices. Written policies and procedures are important management controls because they help ensure consistency in operations, are a source of reference for employees, and act as a training guide for employees. By not updating policies and procedures periodically, management is at risk of program noncompliance, which could weaken controls in place to protect City funds. DAS revised the Freeway Park Garage Operating Procedures and Employee Handbook and issued a copy to all Garage staff and applicable DAS management officials in June 1995.

INCREASED MANAGEMENT OVERSIGHT NEEDED

The Washington State Auditor issued a management letter on March 17, 1993, which identified many of these internal control weakness over cash receipts, including the failure to reconcile cash receipts, the failure to enter all transactions into the cash register, the altering of cash register tapes, the lack of controls over monthly passes, and the failure to record sales immediately. Of the six recommendations in this letter, the Garage had implemented only one at the time of our review. In addition, a 1991 audit by the City Comptroller noted many of the same internal control weaknesses as we found in our audit, including not reconciling cash receipts and not adequately controlling the monthly parking passes. Not ensuring that the Freeway Park Garage implemented the necessary corrective actions to achieve reasonable control over cash receipts points to the need for increased management oversight over Garage operations. Our review found that DAS exercised its oversight through informal visits in which its Property Manager asked how things were going and accepted the information the Garage supervisor gave at face value. We found no indication that the DAS Property Manager took any actions to check on the information the supervisor provided. The DAS Property Manager explained his not checking more closely on Garage operations by stating that he had the impression that the Department wanted him to “empower” the Garage supervisor to take responsibility for doing a better job, rather than to “do his job for him.”

RECOMMENDATIONS

The City may relinquish control over the Freeway Park Garage to the State as part of the City’s support for the eastward expansion of the Washington State Convention Center. If the expansion does not proceed or occur in an eastward direction, we recommend that DAS evaluate other options for the Garage, such as contracting-out Garage operations or working with Seattle Center to combine parking operations. By consolidating parking operations with Seattle Center, a larger staff base would allow rotating of staff, which could improve segregation of duties.

DAS has demonstrated a strong desire to improve its management accountability system over cash receipts at the Freeway Park Garage and has already implemented many of the recommendations developed during the audit. For instance:

- DAS revised its Freeway Park Garage Operating

Procedures and Employee Handbook.

- The DAS property manager visits the Garage almost daily to review parking operations and to provide an independent review of revenue reports, monthly pass log books, refund slips, memos and notes from parking staff explaining any discrepancies that occur, and other documents.
- The Garage has instructed staff to enter sales transactions into the cash register as they occur, give customers a receipt, and enter only one sales transaction into the register at a time. Also, Garage staff no longer accumulate cash from sales received late in the day for entry into the cash register the following afternoon.
- The Garage now keeps a daily log identifying the monthly parking passes sold and attaches it to the day's revenue report. The property manager reviews the daily log pass report to identify discrepancies on revenue reports, investigates discrepancies, and reconciles the daily log pass report against cash register "Z" tapes.
- The DAS property manager marks monthly passes by type and sequentially numbers them before sending them to the Garage for distribution to customers. At the end of the month, the Garage supervisor sends unused parking passes to the property manager.
- The Garage supervisor reviews revenue reports and the monthly pass log books to ensure the City receives payment for each pass sold. In addition, the Garage maintains a daily record showing the number of monthly parking passes sold and unsold.
- The DAS property manager now performs unannounced cash counts of cash receipts and change funds at least monthly.
- Several DAS management officials attended a one-day training seminar on management accountability systems which the City Auditor's Office offered in May 1995. Also, DAS sent two parking attendants to training on cash handling which the Department of Finance offered in June 1995.

In addition to the above actions already taken, we recommend that:

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- The Garage supervisor periodically reconcile the parking attendants' cash receipts and revenue reports against cash register tapes and the information available in the computerized entry-and-exit system; the DAS property manager should spot-check these reconciliations as needed to ensure their accuracy.
 - The Garage's policies and procedures manual should be updated periodically to reflect current operating practices.
 - The Garage's policies and procedures manual should not only describe what employees are responsible for performing, but should include information on the purpose and importance of having accountability control processes that, when performed, adequately safeguard cash from loss or misuse. Employees are more likely to perform control procedures (for example, accurately recording sales of monthly parking passes and giving customers receipts) if they understand the reason for them.
 - The Garage supervisor not perform or permit any altering of cash register tapes or other accounting documents to cover up cash shortages or overages; instead, the Garage supervisor and parking attendants should document and investigate discrepancies and report them to DAS management.
 - The Garage supervisor make every effort to segregate cash handling from accounting duties; where segregation is not possible, DAS should implement a strong management review and oversight function over the Garage's cash handling operations and procedures. (For example, the DAS property manager should monitor the number of voided transactions, conduct unannounced surprise cash counts, and reconcile information contained in the daily and monthly pass log books against daily revenue reports and cash register tape totals.)
 - The Garage supervisor ensure that no two employees simultaneously share the same cash register drawer.
 - The Garage supervisor ensure that employees input all transactions into the cash register immediately.
 - The Garage supervisor keep up-to-date the inventory file for key-cards, showing the current status (active versus

not active) of every key-card.

- The Garage supervisor and property manager periodically review the cash register detail tape to identify the number and reasonableness of voided transactions.
- The Garage supervisor or an independent party review forms used to document refunds and sales adjustments, reconcile these forms against cash receipts and daily revenue reports, and sign and date these forms to document the review.
- The DAS property manager ensure that the Garage implements these recommendations by reviewing operations and the supporting documentation in detail on frequent, unannounced visits.

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The Department of Administrative Services Management Accountability System
Over Cash Receipts at the Freeway Park Garage

Management Control Components and Procedures For Cash Receipts	Management Control Weaknesses Identified During This Review	Status To Improve Management's Accountability System Over Cash Receipts
ACCOUNTING SYSTEM	Not reviewed during this audit.	
CONTROL ENVIRONMENT		
Management		
Management is aware of the importance of accountability controls, communicates this importance to employees at all levels, and displays a supportive attitude toward management controls.	Management did not adequately communicate the purpose and importance of implementing management control procedures to employees at all levels. For example, most of the control weaknesses which the State Auditor identified in a 1993 management letter to the City were not corrected.	During our review, DAS management officials have demonstrated a very supportive attitude towards management controls and recognize the need to improve controls over cash receipts at the Freeway Park Garage. Also, DAS management has made some changes throughout our audit and is taking action to correct identified problems to better assure that cash receipts are adequately safeguarded. For example, a DAS property manager visits the Garage almost daily to learn about garage operations and to provide an independent review of data on revenue reports, monthly pass log books, refund reports, memos explaining any discrepancies, and other documents. DAS has revised the Freeway Park Garage Operating Procedures and Employee Handbook and issued a copy to Garage employees.
Employees		
Employees understand the importance of implementing control procedures.	Garage employees did not always implement existing management control procedures. Although the old Freeway Park Garage manual instructed employees to enter all cash transactions into the cash register as they occurred, we found that parking attendants were not always implementing this policy. For instance, the revenue report for the evening shift on May 2, 1994 reported \$372.00 more in sales than what was entered into the cash register. We also found that parking attendants did not always give customers a cash register receipt. For example, an auditor posing as a daily parking customer requested a receipt and received one that was retrieved from a garbage can.	The revised Freeway Park Garage procedures manual instructs employees to enter all cash transactions into the cash register as they occur, give customers a receipt, and enter only one sales transaction into the register at a time. In addition, the procedures manual states that the Parking Supervisor will review attendants' work in totaling cash registers and reconcile register tape totals to daily revenue report totals. In addition, the Parking Supervisor will compare the number of entries on the daily log of monthly permits with the number of payments recorded in the cash register.

**The Department of Administrative Services Management Accountability System
Over Cash Receipts at the Freeway Park Garage**

Management Control Components and Procedures For Cash Receipts	Management Control Weaknesses Identified During This Review	Status To Improve Management's Accountability System Over Cash Receipts
Employees do not circumvent or ignore existing controls.	The Garage is a "pay as you enter" operation. Cashiers give each daily parking customer a validated, dated and time stamped parking ticket, which also shows the amount paid; \$4 for daily parking. To exit the Garage, daily parking customers must enter the validated ticket into a card reader system, which sends a signal to open the gate. Although required to retain records for a minimum of six years, according to the retention schedule of the State of Washington, used daily parking tickets were thrown away. In addition, we found no evidence to support that the Garage supervisor or an independent party reviewed the daily tickets before they tossed them away. On March 10, 1995, auditors instructed staff to retain the daily tickets. We later reviewed the used tickets to ensure that they were all validated and stamped with a \$4.00 sales price. As a result of our review, we found one daily ticket dated March 8, 1995 with a stamped sales price of \$80, instead of \$4.	Daily parking tickets are periodically reviewed for proper dollar amounts. DAS officials have no plans to retain the daily tickets for six years. <i>We also recommend that the Garage supervisor or an independent party periodically review daily parking tickets for discrepancies and compare them to daily cash receipts before discarding them. Otherwise, if daily tickets are never reviewed for accuracy, the control provided by using validated, dated and time stamped parking tickets is negated.</i>
Organizational Structure		
The organizational structure is clear, rational and well defined. Employees are assigned specific authority and responsibilities for which they are held accountable. Job responsibilities and authority are clearly communicated and documented.	Employees were not clear about their job responsibilities. For example, the Garage supervisor did not understand that reviewing attendant's work included reconciling totals on cash register tapes to revenue reports, deposit slips, refund report sheets, and documents recording sales of monthly parking permits. Also, job descriptions were not periodically reviewed or updated.	A revised Freeway Park Garage Operating Procedures and Employee Handbook, dated June 16, 1995, includes written job descriptions listing duties and responsibilities for the positions of Parking Supervisor, Senior Parking Attendant and full-time Parking Attendants.
Personnel Policies and Practices Sound personnel policies and practices should be in place to ensure that only honest and qualified personnel are hired to perform their assigned tasks. Management should ensure that employees' performance is periodically evaluated and documented, and corrective action is taken, as needed. Also, management should ensure that employees skills are up to date by providing training and education.	(1) Employees at the Garage do not receive written performance evaluations on a regular basis. Parking attendants could not remember when they last received a written performance evaluation. (2) Garage staff received no formal training on how to use the Garage's computer system and, although requested, employees have not attended any City sponsored computer training courses. (3) Although the Department of Finance required Finance's cash handling training course for certification as a cash handler with the City, up until June 1995, only one of the three permanent parking attendants had taken this course.	(1) Staff were evaluated in February 1995. (2) Management is aware of employees' need for computer training and plans to send employees to City sponsored computer training courses. (3) The two permanent parking attendants that had not attended the Department of Finance's cash handling training did so in June 1995. <i>We also recommendation that DAS provide specific training on the Garage's computerized parking system to increase staff knowledge and use of the system's reporting capabilities.</i>

The Department of Administrative Services Management Accountability System
Over Cash Receipts at the Freeway Park Garage

Management Control Components and Procedures For Cash Receipts	Management Control Weaknesses Identified During This Review	Status To Improve Management's Accountability System Over Cash Receipts
Monitoring		
Management actively monitors operations, investigates discrepancies, and is aware of and alert to "red flags" that could indicate potential problems.	Management did not periodically conduct surprise cash counts or review documents for obvious "red flags", such as cash register tapes for excessive and/or unexplainable voids and altered paperwork to conceal cash overages and shortages.	The Garage's property manager reviews accounting documents daily and performs surprise cash counts randomly at least once a month.
Governing Body Oversees Management		
A governing body is established, often an audit committee, to serve as a higher level of accountability and ensure that management maintains an adequate internal control structure.	Although several audit organizations (The Washington State Auditor and Comptroller's Office) have audited DAS' Freeway Park Garage operations in the past and identified internal control weaknesses over cash handling, no follow-up procedures were formally established to ensure that problems identified in audit reports were corrected.	The Office of City Auditor was established as the City's audit function in January 1993 and serves as a resource to departments in evaluating and assessing the adequacy of internal controls. The City Auditor, per City Ordinance 116368, has assumed the responsibility of following-up on City audits and issued its first Annual Status of Audit Recommendations Report on October 31, 1994.
CONTROL ACTIVITIES		
Cash Receipts		
The duties of authorization, custody of assets, and accounting for transactions are segregated among employees. No person has control over a transaction from beginning to end.	<p>(1) The duties of accepting parking fees and accounting for all sales transactions are not segregated among Garage staff. At the Garage, each parking attendant and the Garage supervisor are responsible for performing and accounting for transactions, from receiving payment for parking services to preparing the deposit for pickup by Armored Car Service.</p> <p>(2) Garage staff can void valid sales transactions with little risk of detection. Because the Garage's two cash registers allow voids to be recorded while processing a transaction and, at the end of the shift, do not report the total number of voids that occurred. Voided sales transactions are recorded only on the cash registers' detail tape, which no one reviews.</p> <p>(3) Garage staff worked from the same till without performing cash count procedures and, thus, had access to records and money received by others before deposit.</p> <p>(4) Although Garage staff prepared an initial list of monthly parking permits sold, no independent party compared this list with data on cash register tapes, deposit slips, and revenue reports. As a result of these control problems, cash and checks deposited may not have reflected what was actually received.</p>	<p>Due to the staffing level at the Garage, it is not possible to segregate duties. However, DAS has identified critical functions for supervisor or management review. For example, the DAS property manager plans to review the two cash registers' detail tapes for excessive voids and discrepancies. Also, each parking cashier has his/her own locked money bag. Every two to three hours, money is counted and verified by a second party, prepared for deposit, placed in a sealed bank bag and dropped into the office safe. Furthermore, the monthly permits distributed to customers are now prenumbered and are crossed-checked with key-cards and daily receipts.</p> <p><i>We recommend that the Garage supervisor regularly review cash register detail tapes to identify the number of voided sales transactions, document his/her review of register tapes, investigate discrepancies found, and report findings to appropriate DAS management officials.</i></p>

The Department of Administrative Services Management Accountability System
Over Cash Receipts at the Freeway Park Garage

Management Control Components and Procedures For Cash Receipts	Management Control Weaknesses Identified During This Review	Status To Improve Management's Accountability System Over Cash Receipts
Cash drawers should only be used by one individual.	We observed parking attendants working from a common drawer on a regular basis without performing cash count procedures.	Parking attendants no longer work from a common cash drawer.
Personal checks are made out to the City of Seattle.	We observed parking attendants accepting personal checks that were not made out to a payee and some that were made out to the FPG (for Freeway Park Garage) and POS (for Port of Seattle).	Parking Attendants instruct customers to make checks payable to the City of Seattle.
Cash receipts are deposited in a City account regardless of payee.	No weaknesses found.	
Checks are restrictively endorsed immediately upon receipt.	Parking attendants do not endorse checks immediately upon receipt. Instead, parking attendants endorse checks at the main office when they are balancing their tills.	<i>We recommend that DAS obtain an endorser for each attendant's booth so that cashiers can immediately endorse checks received, rather than waiting to do so when they close out their tills at the main office.</i>
Cash register receipts are given to customers for each transaction.	Cash register receipts were not always given to customers. When an auditor posing as a daily parking customer requested a receipt, the parking attendant gave the auditor a cash register receipt that the attendant had retrieved from a garbage can inside the attendant's booth.	DAS' revised procedures manual requires that cash register receipts be given to customers.
Physical facilities adequately safeguard cash.	The parking booths, as designed, are very accessible to the public (including potential robbers) and, thus, do not adequately safeguard the parking attendant from harm or cash receipts from theft.	The door is now closed when no one is in the attendant's booth.
Cash or checks are kept in a fireproof vault or safe.	No weaknesses found.	
A cash drawer is never left unattended or unlocked.	We observed employees leaving their cash drawers unattended and unlocked at the North booth. It is common for employees to work in the main office when there are no customers. However, when doing so, employees leave the cash register key, which is visible to the public, in the register in an unlocked position. In addition, the booth's door, located where money is received from customers, is left open until the Garage closes. As a result, with the booth door left in an open position and the register key left in the register in an unlocked position, a potential robber could enter the attendant's booth, press register keys until the cash drawer opened, and steal cash and checks in a matter of seconds.	The door is closed when no one is in the attendant's booth.

The Department of Administrative Services Management Accountability System
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Management Control Components and Procedures For Cash Receipts	Management Control Weaknesses Identified During This Review	Status To Improve Management's Accountability System Over Cash Receipts
Safes and locked areas are locked when unattended.	No weaknesses identified.	
Access to safes and keys are restricted to a limited number of employees.	The property manager, Garage supervisor, and all parking attendants have access to the safe, file cabinets, and a locking key cabinet. Garage staff and private security officers have access to keys to the facility.	The hours of operation and level of staff at the Garage requires that all staff have access to the office. All funds are kept in sealed deposit bags or locked cash bags.
Safe combinations and keys are changed periodically and at the transfer or termination of an individual possessing the combination or key.	Safe combinations and keys have not been changed since the current property manger was assigned to oversee the Freeway Park Garage over two years ago.	Keys to the office were changed in March 1995 and all terminated employees are required to return their keys. <i>We recommend that keys and safe combinations be changed periodically and whenever an employee leaves the Garage.</i>
Cash funds are periodically counted on a surprise basis by an independent party.	Cash funds are not counted on a surprise basis by an independent employee. Prior to our audit, the last surprise cash count was done by the State Auditors in 1993, according to Garage staff.	The DAS property manager performs unannounced cash counts of receipts and change funds at least monthly.
Excess cash and large bills are placed in a drop safe located in the attendant's booths.	The Garage lacks written procedures on how to handle excess cash and large bills. In addition, the Garage has not installed drop safes at the Garage, as recommended by the City Comptroller's Office in January 1991.	Tills are changed approximately ever two to three hours. Cash collected is counted, prepared for deposit, placed in sealed bags, and dropped in the office safe.
A cash operation has a permanent collection record, such as a cash register tape, to record all transactions including voids and refunds. This permanent collection record should be retained for 6 years.	Although the Garage uses two cash registers to record transactions, one in each one of the two booths, employees do not enter refund transactions or sales adjustments into their registers. In addition, we found that at one of the two booths, it was not uncommon for parking attendants to ring up sales with no control tape in the cash register to record each sales transaction. For example, at the North booth, we found no control tape documenting the following number of valid sales transactions: 768 sales in November 1994, 186 sales in December 1994, 662 sales in January 1995, and at least 620 sales in February 1995. As a result of entering sales in the cash register with no control tape, the Garage lacks documentation needed to identify all transactions and, thus, the risk of errors and theft occurring and going undetected is greatly increased.	Procedures were changed to prevent cashiers from entering sales into the register with no tape. Register tape is now kept at each booth and parking attendants were instructed to replace register tape as needed.
Adequate control exists over returned or protested checks.	Not reviewed during this audit.	

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Management Control Components and Procedures For Cash Receipts	Management Control Weaknesses Identified During This Review	Status To Improve Management's Accountability System Over Cash Receipts
Cash receipts are prenumbered.	No weaknesses found.	
Employees handling cash receipts are forbidden to accept postdated checks, I.O.U.'s, etc. without managerial approval.	We found no written guidelines prohibiting parking attendants from accepting postdated checks, I.O.U.'s, etc. without managerial approval. We discovered that the Garage supervisor allows one parking customer to pay for her monthly parking pass during the middle of the month, clearly after payments are due. Although the property manager was aware of this arrangement, it was not preapproved by him or documented in writing.	The Garage does not accept post-dated checks or I.O.U.'s.
An independent person balances the cash and checks against the cash register tape and deposit slip. In addition, an independent person reconciles bank statements against revenue reports and deposit slips.	The Garage does not have an independent person balance the cash and checks against the cash register tape and deposit slip to ensure that the Garage staff deposits the actual money received. Currently, the Garage supervisor reconciles bank statements against deposit slips, which results in bank reconciliation's being performed on the basis of checks recorded, which do not necessarily reflect the checks received. Furthermore, the Garage supervisor is also involved in handling cash receipts and, thus, having him reconcile bank statements is an inappropriate segregation of duties.	The DAS property manager reconciles cash register tapes against deposits and notes all discrepancies found.

 Freeway Park Garage Monthly and Annual Income Comparison for 1990 - 1995

Income for the First Six Months of the Year

	1989	1990	1991	1992	1993	1994	1995
January	48,638	54,117	49,989	45,423	40,046	59,133	67,239
February	40,505	46,415	49,684	52,096	50,395	57,152	62,411
March	57,978	54,181	48,707	54,423	54,295	59,897	72,559
April	49,594	51,686	53,848	48,491	50,930	55,079	56,613
May	56,296	55,926	53,850	42,119	53,509	54,749	63,602
June	55,367	57,828	45,838	46,577	54,457	56,656	71,547
TOTAL FOR 6 MONTHS	\$308,378	\$320,153	\$301,916	\$289,129	\$303,632	\$342,666	\$393,971
PERCENT INCREASE/ (DECREASE) FROM PREVIOUS 6 MONTHS		3.8%	(5.7%)	(4.2%)	5%	12.9%	15%

Income for the Second Six Months of the Year

	1989	1990	1991	1992	1993	1994	1995
July	51,314	59,502	52,531	46,644	51,572	60,709	60,791
August	54,213	64,093	53,232	42,902	54,296	58,107	60,312
September	49,835	53,908	52,410	41,303	50,647	64,008	N/A
October	46,555	58,320	53,598	44,727	51,423	58,176	N/A
November	47,203	52,780	42,041	40,474	49,292	51,596	N/A
December	49,613	43,793	47,411	40,249	41,658	52,912	N/A
TOTAL FOR 6 MONTHS	\$298,733	\$332,396	\$301,223	\$256,299	\$298,888	\$345,508	
PERCENT INCREASE/ (DECREASE) FROM PREVIOUS 6 MONTHS		11.3%	(9.4%)	(14.9%)	16.6%	15.6%	

Annual Income

	1989	1990	1991	1992	1993	1994	1995
ANNUAL TOTAL	\$607,111	\$652,549	\$603,139	\$545,428	\$602,520	\$688,174	N/A
PERCENT INCREASE/ (DECREASE) FROM PREVIOUS YEAR		7.5%	(7.6%)	(9.6%)	10.5%	14.2%	N/A

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DAS Response to Our Audit

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Management Controls

Definition

Chapter 6, paragraph 51, of the Government Auditing Standards defines management controls as “the plan of organization and methods and procedures adopted by management to ensure that its goals and objectives are met; that resources are used consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.”

Management’s Responsibility For Establishing Management Controls

Establishing and maintaining an management control structure is an important management responsibility. To provide reasonable assurance that an entity’s objectives will be achieved, the management control structure should be under ongoing supervision by management to determine that it is operating as intended and that it is modified as appropriate for changes in conditions.

--American Institute of Certified Public Accountants

Officials entrusted with the resources are responsible for establishing and maintaining effective control.

--Government Auditing Standards

Objectives and Inherent Limitations of a Management Control System

The objectives of an management control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Management Controls

**Standard Management Controls
for Cash Transactions**

Practices that indicate good management control over cash include separation of duties between handling cash, record keeping, and authorization; prompt deposits of cash received; adequate safeguarding of cash; signatures for monies disbursed; periodic reconciliation of cash accounting records by a custodian's supervisor or an independent party; and proper authorization and control of disbursements.

Office of City Auditor Evaluation Form

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Our mission at the Office of City Auditor is to help assist the City in achieving honest, efficient management and full accountability throughout the City government. We service the public interest by providing the Mayor, the City Council and City managers with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of the citizens of Seattle.

Your feedback helps us do a better job. If you could please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

* * * * *

Report: **Management Improvements at Freeway Park Garage**

Please rate the following elements of this report by checking the appropriate box:

	Too Little	Just Right	Too Much
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, thoughts, ideas: _____

Name (Optional): _____

Thanks for taking the time to help us.

Fax: 684-8587

Mail: Office of City Auditor, 1100 Municipal Building, Seattle, WA 98104-1876

Call: Nora J.E. Masters, City Auditor, 233-0088

Drop by and visit: 10th Floor of the Municipal Building